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September 22, 1999

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SEP 23 AM 11 10  
EXECUTIVE SECRETARY

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

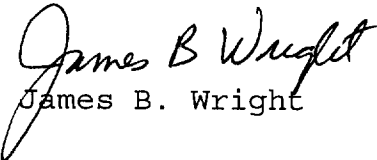
RE: Docket No. 97-00888 (Universal Service)  
Phase II Order - UTSE Petition to Clarify and Notice

Dear Mr. Waddell:

Enclosed for filing in the above case are the original and thirteen copies of United Telephone-Southeast, Inc.'s Petition for Clarification of Phase II Order and Notice of Inability to Timely File Compliant Revised Cost Studies. A copy of this pleading is being provided to parties of record.

If you have questions, please contact me or Laura Sykora at 919-554-7323.

Very truly yours,

  
James B. Wright

JBW:sm

Enclosures

CC: Dennis Wagner  
Laura Sykora  
Steve Parrott  
Parties of Record (with enclosure)

#17965

FILE

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE: UNIVERSAL SERVICE GENERIC CONTESTED CASE  
DOCKET NO. 97-00888

**United Telephone-Southeast, Inc.**  
**Petition for Clarification of Phase II Order**  
**and Notice of Inability to Timely File Compliant Revised Cost Studies**

United Telephone-Southeast, Inc. ("United"), hereby petitions the Tennessee Regulatory Authority ("Authority" or "TRA") to clarify certain portions of its September 16, 1999 Order on Phase II of Universal Service ("Phase II Order"). In support of this Petition United shows the following.

The Authority held Phase II hearings on April 15 through April 22, 1998. On April 20, 1999, at its regularly scheduled Directors' Conference, the Authority decided a number of Phase II issues which decisions were incorporated in the Phase II Order. Of those issues, United asks that the Authority clarify two of its decisions as they relate to United; specifically Issue 16(p) [vendor discounts] and Issue 16(s) [depreciation].

The Authority indicated at pages 8, 38, 39, and 45 of its Phase II Order that its decision regarding these two issues rested on determinations made in another docket (No. 97-01262) regarding permanent prices for BellSouth Telecommunications, Inc. ("BellSouth" or "BST") which prices were based on BellSouth's costs of operations (See January 25, 1999 Interim Order On Phase

**FILE**

I of Proceeding to Establish Prices for Interconnection and Unbundled Network Elements, herein called the “Permanent Price Order”). That proceeding and the evidence therein did not include any data regarding United’s costs for depreciation or vendor discounts. Nonetheless the Authority in its Phase II Order in this case appears to direct United to insert data from BellSouth’s Permanent Price Docket as inputs into the BCPM cost model for the purposes of calculating United’s costs for United’s service areas (See Phase II Order at pages 8, 38, 45, 74). The Authority further directed that United file revised cost studies reflecting the new inputs within fourteen days from the date of the Phase II Order.

### **DEPRECIATION**

With respect to depreciation, United is unclear whether the Authority intended United to use FCC and Tennessee Public Service Commission (TPSC) rates that were in effect (though none were prescribed) in 1993 or whether it intended some other depreciation rate to be used, and for this reason United asks that the Authority clarify what depreciation rates it proposes United to use in its revised cost studies.

The ordering portion of the Phase II Order, in item 19 on page 74, states “The economic depreciation rates and associated inputs prescribed by the FCC and the TPSC in 1993 shall be included in both cost models.” Similar language is contained in the findings portion of the Phase II order, at page 45 which states “Consistent with the Authority’s decision in Docket 97-01262,

Permanent Prices, the economic depreciation rates and associated inputs prescribed by the FCC and the TPSC in 1993 shall be included in both cost models.” United presented no evidence regarding its depreciation rates in the Permanent Price Docket, nor did the FCC and TPSC prescribe depreciation rates for United in 1993. Thus United is unable to use record evidence to comply with this portion of the Phase II Order.

United notes that the Phase II Order, at page 44, contains a discussion of the position of the parties wherein TCTA, AT&T, MCI and the CAD recommend that the depreciation inputs of United should be the 1995 rates prescribed by the FCC and the TPSC, which are the last rates for United approved by a regulatory authority. United believes these 1995 rates may have been what the Authority intended United to use, although the Order does not so state.

Since it is unlikely there will be sufficient time left following action on this Petition that United can file revised cost studies within 14 days from the date of the Phase II Order, United hereby gives notice that it will file revised cost studies within the 14 day period using its 1995 FCC and TPSC approved rates, subject to action of the Authority on this Petition.

### **VENDOR DISCOUNTS**

In a similar vein, with respect to vendor discounts, the Phase II Order, at pages 38, 39 and 73, directs BST and United to adjust the BCPM effective discounts “to reflect vendor discounts on switching equipment equal to those ordered by the Authority in issue 14 of Phase I of Docket 97-01262”. The

referenced discounts were those applicable to BST purchases only, were proprietary within Docket 97-01262 and were not obtained by United. United believes that the Authority did not intend for United to file revised cost studies using proprietary information of a different company derived from a separate proceeding and which contained no costs based on United's operations; however, United asks that the Authority clarify whether this in fact was intended, or whether a different input was to be filed. Pending action on this request for clarification, United will file within 14 days of the Phase II Order revised studies using data originally filed by United for vender discounts.

#### **SUMMARY**

Currently United is unable to timely file cost studies considered to be compliant with the TRA's Phase II order due to the need for clarification on the two above-discussed issues. However, United will file within 14 days of the Phase II order revised studies which are as compliant as possible as stated above. In addition, within 14 days of the receipt of the order on this Petition for Clarification United will file a cost study compliant with that order of the TRA.

WHEREFORE United prays that its Petition be granted.

UNITED TELEPHONE-SOUTHEAST, INC.

By James B. Wright  
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Senior Attorney  
14111 Capital Boulevard  
Wake Forest, NC 27587-5900

September 22, 1999

#17658

CERTIFICATE

Universal Service Fund (Docket No. 97-00888)

The undersigned hereby certifies that a copy of the foregoing United Telephone-Southeast, Inc. Petition to Clarify Phase II Order and Notice of Inablility to Timely File Compliant Revised Cost Studines filed in the above docket is being provided to each of the following, by hand delivery, by overnight air express, or placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

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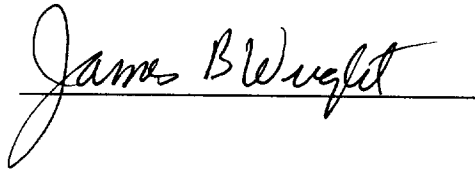
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This 22nd day of September, 1999  
#17966

A handwritten signature in cursive script, reading "James B. Wright", is written over a horizontal line.